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DE RUEHVI #1604/01 1661345
ZNR UUUUU ZZH
P 151345Z JUN 07
FM AMEMBASSY VIENNA
TO RUEHC/SECSTATE WASHDC PRIORITY 7668
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUCNIRA/IRAN COLLECTIVE

UNCLAS SECTION 01 OF 02 VIENNA 001604

SIPDIS

SIPDIS, SENSITIVE BUT UNCLASSIFIED

E.O. 12958: N/A

TAGS: [PGOV](#) [ETRD](#) [EINV](#) [PREL](#) [IR](#) [AU](#)

SUBJECT: IRANIAN MINISTER VISITS AUSTRIA

Summary

1. (SBU) During a June 12-13 visit to Austria, the Iranian Minister for Economics and Finance, Davoud Danesh Jafari, met with Minister of Economics Martin Bartenstein, President of the Economic Chamber Christoph Leitl, and Head of the Kontrollbank (Austria's export credit agency) Rudolph Scholten. He also attended a meeting of the OPEC Fund for International Development (OFID). Following his meeting with Jafari, Bartenstein voiced concerns about Austria's economic relations with Iran due to the regime's pursuit of a nuclear program. Leitl, however, enthusiastically lobbied for intensified trade and investment activities between the two countries. Leitl claimed that trade contacts could improve a difficult political situation. End summary.

Cool Reception at Ministry of Economics

2. (SBU) On June 12, Iranian Minister for Economics and Finance, Davoud Danesh Jafari met with Minister of Economics Martin Bartenstein to discuss Austrian-Iranian commercial relations. In a statement after the meeting, Bartenstein noted that the Iranian nuclear program "cast clouds" over Austria's trade relations with Iran. According to Bartenstein, the impact of the UNSC sanctions against Iran went beyond the Iranian nuclear and missile program due to the international community's concern with Iranian intentions.

3. (SBU) The Head of the MoE's Department for Relations with Non-EU Countries, Gabriele Meon-Tschuertz, told us that the ministers only discussed general economic relations, with no mention of specific companies or projects. According to our contacts in the Finance Ministry, Jafari had no appointments with MoF officials. The MoF was also unaware of any meetings between Jafari and Austrian financial institutions. (The Iranian news agency IRNA had announced that Jafari would meet with MoF officials and Austrian banks during his visit.) On June 13, IRNA quoted Jafari as claiming that an Iranian bank would soon open in Vienna. Our contacts at the Financial Market Authority told us they were unaware of any application from an Iranian bank to begin operations in Austria.

Warm Welcome at the Economic Chamber

4. (SBU) The Austrian Economic Chamber, where Jafari's delegation met an undisclosed number of Austrian companies, gave Jafari and his delegation a much warmer welcome. In a press statement after the meeting, Leitl described Iran as one of Austria's most important trade partners in the Middle East. In Leitl's opinion, Austria and Iran could further improve and extend commercial contacts. Leitl opined that in politically difficult times, business performed a confidence-building function, "achieving what politics was not able to achieve." (Note: A spokesman for Austria's energy company OMV

told us that Jafari did not meet with any of its officials. End Note)

Iran's Pitch

¶5. (SBU) Following his meetings, Jafari publicly called for increased foreign investment in Iran, emphasizing the regime's progress on privatization. He also pointed to Iran's huge oil and gas reserves, encouraging foreign companies to invest in the energy sector. Jafari also underscored the opportunities for consumer goods exports to a market of 70 million. Jafari maintained that the Iranian Government treated foreign investors on a par with domestic investors.

Austrian-Iranian Trade Plummets in 2006

¶6. (U) According to figures from the Austrian Statistics Office and the Economic Chamber, Austrian exports to Iran have doubled since ¶2002. However, in 2006, there was a significant downturn in trade between the two countries. Austria's exports to Iran amounted to \$423 million (16% decline compared to 2005), and imports from Iran were \$176 million (26% decline). Iran is only the 39th largest export market for Austria, but it is the third largest market in the Middle East, behind Saudi Arabia and the UAE.

¶7. (U) Statistics for the first three months of 2007 indicate Iranian exports have risen by 205%, overwhelmingly attributable to increased imports of Iranian oil. Austrian exports to Iran during the same period were down 12% compared to the first three months of ¶2006. Austria's main exports to Iran include machinery and vehicles, chemical and medical equipment, paper, and semi-processed goods. Leitl highlighted new investment opportunities in Iran's infrastructure sectors (electricity, rails, water, and sewage),

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factory construction, tourism, and consumer and luxury goods.

Comment

¶8. (SBU) Bartenstein's comments are significant, in that they represent the first time a senior GoA official has publicly warned that Iran's nuclear program is complicating its commercial relations with Austria across the board. Nevertheless, many Austrian businesses, including OMV, continue to view Iran as a potentially lucrative market. The GoA will continue to try to walk a fine line between political support for UNSC sanctions and defense of Austrian business interests in Iran.

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